



INVEST
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Australian Government

INVESTMENT PROSPECTUS

Renewable Energy in Timor-Leste

Opportunities for Investment in a Frontier Market



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ABOUT THIS PROSPECTUS

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Executive Summary

Timor-Leste is one of Southeast Asia's youngest nations, with a small but growing economy actively diversifying away from dependence on oil and gas revenues. The energy sector is largely government-led and government subsidised, with a small role for the private sector and development partners in trialling and scaling up investments in renewables.

Electricity generation relies on a small number of central power plants that use diesel generators and imported fuel. The distribution network is well established, with more than 94% coverage across a geographically dispersed population. Besides the environmental impacts of diesel, generation costs are very high, subsidies expensive and service unreliable, leading to use of backup generators by most commercial and industrial businesses. There is a small and emerging renewables private sector, which is seizing the opportunities for affordable, reliable and sustainable energy solutions.

Recent milestones including WTO accession in 2024 and ASEAN membership in 2025 have improved Timor-Leste's trade position and signalled its commitment to economic integration.

This is an early-stage market. Investors should expect the challenges typical of frontier economies: limited infrastructure outside the capital, thin supply chains, and limited market data. To date, renewables investment is a nascent sector, with a small amount of investment from development partners and local businesses. There is excellent potential for growth in the market, with growing demand and little competition.

This prospectus provides a realistic overview of Timor-Leste's renewables sector, the market opportunities, and the practical framework for investment. It is intended to help prospective investors assess whether and how to engage.

94%

DISTRIBUTION
NETWORK COVERAGE

2024

WTO ACCESSION

2025

ASEAN MEMBERSHIP

01 Country Context

Timor-Leste is a small Southeast Asian nation with a population of almost 1.4 million. It is large relative to most Pacific island states but small within the ASEAN context. Since independence in 2002, the country experienced significant economic growth, averaging 4.8% in real GDP through to 2012, driven largely by oil and gas revenues from the Timor Sea.¹ Growth has since slowed as the economy works to diversify away from petroleum dependence.

Urbanisation is low at 30%, and the majority of households rely on small-scale agriculture for their livelihoods. Government spending leads the economy, sustaining a large public workforce and extensive social transfer programs, which has produced consistent demand for consumer goods and services. However, with a relatively small manufacturing sector, the country is heavily reliant on imports, and the trade deficit is funded by revenues from oil and gas.

There is widespread recognition of the need for economic diversification, including to create economic opportunities and employment for a large and growing population of young adults. The government is actively promoting investment in agribusiness, light manufacturing, tourism and related services, and environmental services.² Timor-Leste maintains a strong commitment to economic openness, with low tariffs, minimal non-tariff barriers, incentives for foreign investment, and acceptance of foreign workers. Recent accession into the WTO (2024) and ASEAN (2025) reflect this commitment and provide new opportunities for international engagement.

Timor-Leste is a stable democracy, ranking first in Southeast Asia on Freedom House's Freedom in the World index.³

1.4m

POPULATION

1st

IN SE ASIA, FREEDOM
IN THE WORLD INDEX

Investment Enablers

Several structural features position Timor-Leste favourably for investment, particularly in a regional context:

Young workforce. More than half the working-age population is under 30.⁴

Competitive labour costs. A minimum wage of US\$115 per month compares favourably with most of the Southeast Asian region.

Currency stability. The US dollar is the national currency, eliminating exchange rate risk and providing long-term macroeconomic stability. Inflation has remained below 3% per annum every year since 2014, except during the COVID period.⁵

Improving infrastructure. The main road network is improving, the national port at Tibar Bay has been recently redeveloped, and the Dili International Airport redevelopment is underway.

Energy and connectivity. Large-scale renewable energy investments such as the 72 MW Manatuto solar project will reduce energy costs. The Timor-Leste South Submarine Cable entered commercial operation in July 2026, delivering the country's first international undersea fibre-optic connection and replacing relatively costly satellite services.

Modern port capacity. The new port at Tibar Bay, only a few kilometres from Dili, has capacity for 250,000 twenty-foot equivalent units (TEUs) annually and is currently operating at less than 20% utilisation. Total trade through the port exceeded US\$850 million in 2023.⁶

Preferential market access. As a Least Developed Country, Timor-Leste benefits from duty-free access to most global markets under the Generalised System of Preferences.⁷ ASEAN membership also provides mostly tariff-free trade with other ASEAN countries under the ASEAN Trade in Goods Agreement.⁸

02 The Policy Context for Renewable Energy

As a small island nation Timor-Leste is vulnerable to the impacts of climate change. The focus is therefore on adaptation rather than mitigation.

It is enshrined in Article 61 of Timor-Leste's constitution, that 'Everyone has the right to a humane, healthy and ecologically balanced environment and the duty to protect it and improve it for the benefit of the future generations. The State shall recognise the need to preserve and rationalise natural resources. The State should promote actions aimed at protecting the environment and safeguarding the sustainable development of the economy.'

Timor-Leste has also ratified international conventions, such as the United Nations Framework to Combat Climate Change, the Kyoto Protocol, and the Nationally Determined Contributions 2022-2030 whose pillars include (1) Nature-Positive Growth and Transition and (2) Low Carbon Development. In September 2023, Timor-Leste joined the Fossil Fuel Non-Proliferation Treaty.

The National Climate Change Policy (2021) creates the basis for improving the enabling environment for evidence-based decision-making, nature-based solutions, long-term capacity building, and integrated risk management.

Timor-Leste's Strategic Development Plan (SDP) 2011-2030 has an ambitious commitment to renewable energy: 'By 2020, at least half of Timor-Leste energy needs will be met from renewable energy sources'. This 2020 target was not met, but it reflects a long-standing policy commitment to renewable energy that successive governments have reaffirmed.

This goal has been reaffirmed in the current Government Plan⁸. The plan includes: creation of a Renewable Natural Resource Office, studies on the potential for Mini-Hydro construction across the country, building two wind-powered stations, ensuring that at least around 100,000 households have access to solar energy systems, developing the potential of solar energy through the Dili Solar Centre, and a feasibility study for constructing a thermal power plant to generate energy from household and industrial waste.

The SDP aims that everyone in Timor-Leste will have access to reliable electricity 24 hours a day by 2030.

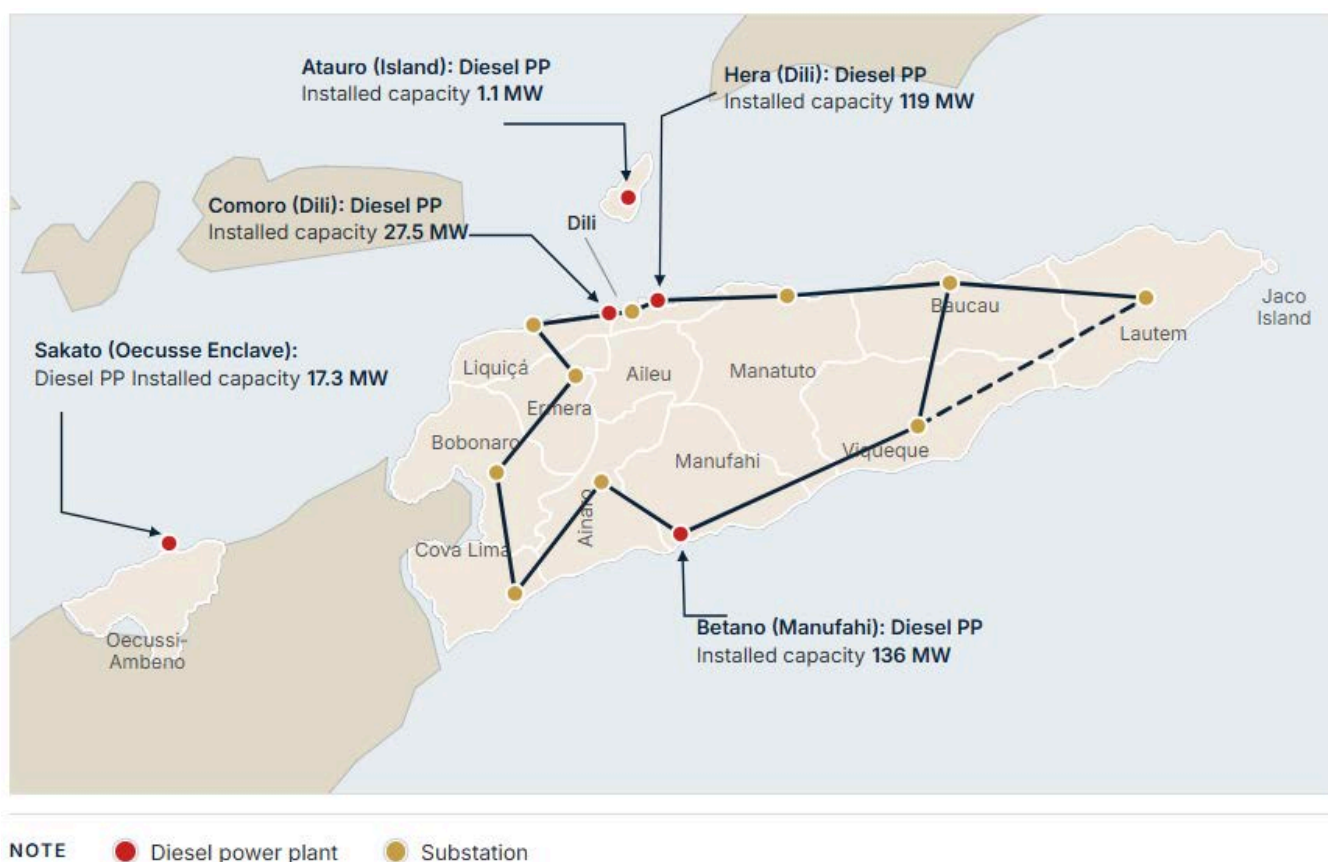
03 Timor-Leste's Energy Sector

This section describes the energy sector by status, so investors can distinguish what is generating today from what is still to come. Current operations include the national grid, small-scale solar, bioenergy and recycling. Projects firmly under development include the Manatuto and Atauro solar facilities. Further renewable options are still at study or pilot stage, including wind, hydro and floating renewables.

3.1 THE NATIONAL GRID AND CURRENT GENERATION

Electricity generation mostly relies on two large power plants, along with three smaller plants, that use generators and imported diesel fuel. The generation capacity of these plants is estimated at around 282 MW, well above current peak consumption levels of below 100 MW (as of 2024).¹⁰ Further details in Section 4 below highlight issues with reliability, the high cost of production, the relatively high tariffs and the magnitude of the annual electricity subsidy.

The distribution network is well established, with an estimated 94% reach¹¹ across a geographically dispersed population.



3.2 Manatuto Solar PV Farm

Construction began in July 2026 on a 72 MW solar PV plant with 80 MWh of battery storage at Lalela, Manatuto. The project is being delivered under an Independent Power Producer model by Manatuto Renewables Power, a joint venture between ITOCHU of Japan and EDF of France, with a US\$85.7 million financing package arranged by the World Bank Group and including ADB, IFC, JICA, the Government of Canada and a MIGA guarantee. ADB acted as transaction adviser to EDTL. Construction is expected to take 18 to 24 months. EDTL has committed to purchase the output under a 25-year power purchase agreement at US\$0.065 per kWh, against a current diesel generation cost of around US\$0.42 per kWh. The government estimates fuel savings of US\$25 to 30 million a year.

72 MW

GENERATION CAPACITY

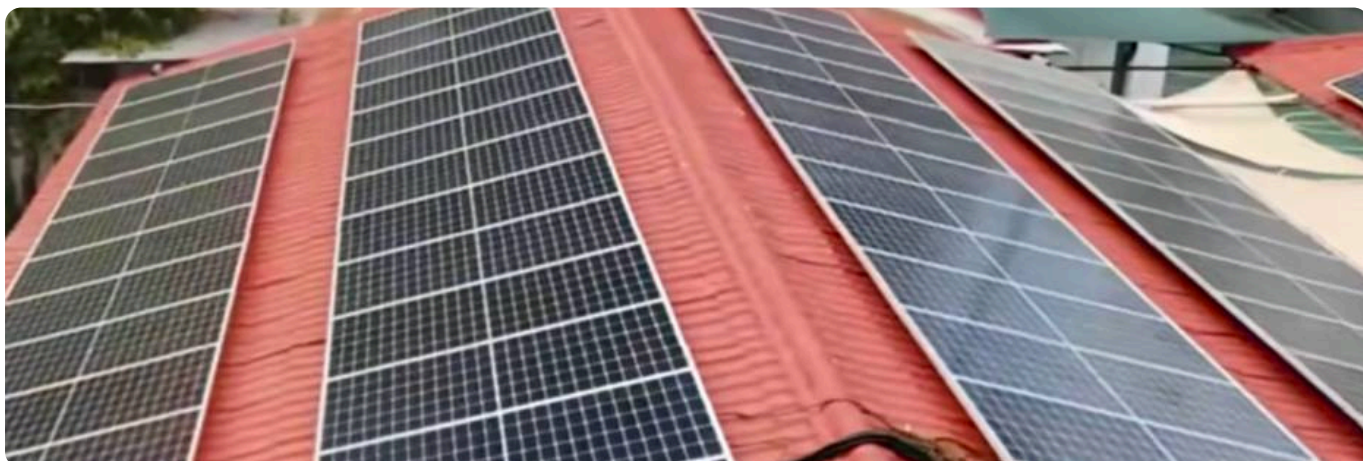
80 MWh

BATTERY STORAGE

3.3 Atauro Island Solar Installation

Atauro island is not part of the national grid, currently relying on small diesel generator facilities. The Solar PV project design is complete, and the tender process under way. EDTL has advised the facility is expected to be completed by the end of 2027. The plant will provide up to 2.5 MW with battery storage, sufficient for current demand from the 10,000 residents and limited tourist activity. It will be buttressed by diesel generation.

EDTL has advised that a solar development is also planned for the Oecusse enclave. The design of this development will be informed by several key elements of the Atauro installation.



3.4 Small Scale Solar

Market and technical analysis has been carried out for rooftop solar in Timor-Leste¹². It shows:

Rooftop solar is viable and successful already in Timor-Leste, with a very favourable payback period for capital investment (as little as 2-3 years). This is very quick by international standards, driven largely by the high costs of electricity in Timor-Leste.

The rooftop solar market is mostly targeted at medium and large businesses and institutions.

A lack of regulatory certainty poses some risk for business.

Mechanisms do not currently exist for those with rooftop solar to feed excess energy back into the grid, and there are technical and legal issues associated with this, unlikely to be resolved in the short or medium term.

There are several established rooftop solar (RTS) providers in Timor-Leste, providing materials, installation and maintenance. Solar-powered solutions are also emerging for agriculture, including solar irrigation and remote rainfall and climate monitoring.

2-3

YEARS PAYBACK
PERIOD, ROOFTOP
SOLAR



3.5 Wind and Offshore Renewables

The IFC, through its Scaling Wind program, has assessed Timor-Leste's wind resource and identified Lariguto in Viqueque as the priority site for a 50 MW wind farm, with Bobonaro among the other shortlisted locations. Both have been designated as the country's model wind sites in successive government plans. EDTL has advised this feasibility work is ongoing. Separately, Mooreast, a Singapore-listed company, signed a letter of intent with the State Secretariat for Electricity in November 2025 to study 300 to 500 MW of floating renewables, including offshore wind, solar and wave, with a project development agreement anticipated in 2026.

50 MW

PRIORITY WIND FARM SITE, LARIGUTO

300–500 MW

FLOATING RENEWABLES UNDER STUDY

3.6 Hydroelectricity

Large-scale hydropower has been studied since the 1970s without proceeding. The most prominent proposal, the Iralalaro scheme in Lautem, was assessed by the ADB in 2004 as the most cost-effective of eight options examined: a run-of-river design of around 27 MW estimated at roughly US\$60 million including transmission to Dili. It has not advanced. The site sits in active karst terrain, which makes construction technically risky and costly and leaves water-flow estimates uncertain, and the surrounding area carries high conservation value. That area now lies within Nino Konis Santana National Park, Timor-Leste's first national park and, as of June 2026, a UNESCO Biosphere Reserve, making the scheme very unlikely to proceed.

3.7 Bioenergy

Biofuel activity in Timor-Leste remains small-scale, with no large-scale operations in the country to date. Key recent biofuel developments include:

Straw-Based Biofuel: Developed by PT Inti Sinergi Formula, the company converts agricultural waste into synthetic hydrocarbon fuel, offering a more affordable alternative to petrol.

Used Cooking Oil Conversion: GSGP Renewables Lda is establishing a plant to convert used cooking oil into biofuel, targeting up to 4,000 litres monthly for local use.

Biogas and Rural Electrification: The government and development partners are investing in biogas, with over 30 small scale biodigester projects that use animal dung, installed across several municipalities.

Biochar is a commonly used natural fertiliser in small scale agricultural activities. Local research has demonstrated significant improvements in yield from this intervention. Current methods are small scale and non-commercial, and there may exist scope to scale up to more commercial implementation.

3.8 Recycling and the Circular Economy

The recycling industry is relatively small. Caltech Group lead the processing of plastic waste, glass, cardboard and tetra pack into building materials including pavers, bricks, and plastic sheets (equivalent of plywood). Several local businesses aggregate and export ferrous and non-ferrous metals.



04 Energy Sector Gaps – Reliability and Affordability

Electricity demand is growing at an annual average of 4.5% as new consumers connect to the grid.⁸ At this rate, demand will double in 16 years. With the government's ambitious plans for strong economic growth, including in the industrial sector, it is likely that demand will grow even faster in future years.

RELIABILITY

The economic impacts of costly and unreliable electricity supply are clear. A Voluntary National Review in 2023 identified lack of progress on Sustainable Development Goal (SDG) 7 (affordable and clean energy) as one of the reasons why economic diversification had stalled.¹⁴ The World Bank's Doing Business Indicators highlighted cost and quality of electricity as issues: cost was more than double the East Asia & Pacific average, and 20 times the average for OECD countries. On quality (reliability of supply and transparency of tariff index), TL scored 0 (out of a scale of 0-8), whereas the regional average is 4. Results from the new World Bank B-Ready analysis released in late 2024 suggest that these gaps remain.¹⁵

The unreliable supply means businesses and essential services usually require a diesel generator, which duplicates large upfront capital costs, as well as contributing to greenhouse gas emissions.

Expanding investments in renewable energy projects, particularly in rural areas, can improve access to electricity and create new job opportunities within the renewable sector.

It is likely the private sector will be the primary driver of growth in the sector, while the government's role is to facilitate and establish an attractive environment for both international and local investors.

4.5%

AVERAGE ANNUAL
DEMAND GROWTH

2×

DEMAND DOUBLES IN
16 YEARS AT CURRENT
GROWTH

Affordability

1 FISCAL AFFORDABILITY

High cost of production and attempts to keep tariffs affordable make for a big subsidy gap, and with growing demand, this gap will increase.

2 USER AFFORDABILITY

High commercial tariffs add greatly to the cost of doing business.

The cost of diesel-fuelled electricity generation (measuring just operating costs) in Timor-Leste is estimated at \$0.42/kWh. The government's diesel import bill increased from \$40.8 million in 2017 to \$109.0 million in 2020. The 2024 EDTL subsidy was \$157 million, the vast majority of which is for diesel fuel.¹⁶

Residential tariffs are structured as increasing blocks, with a lifeline tariff of \$0.05/kWh for the first 20 kWh of consumption and \$0.12/kWh for consumption above 20 kWh. Commercial consumers pay \$0.19/kWh and industrial consumers \$0.24/kWh.

All consumers thus receive subsidised electricity. Charging everyone the real cost of generation is not advisable at this stage as it would cause serious social disruption and affect private sector development.

ELECTRICITY RATES IN SOUTHEAST ASIA

US\$/kWh



Source: Globalpetrolprices.com

05 Investment Opportunities

5.1 MORE INDEPENDENT GRID POWER PRODUCTION

As noted earlier, the Manatuto Solar facility will cover a reasonably high percentage of current demand.

However, demand is growing at around 4.5% a year and is expected to accelerate as industrial parks and broader economic activity expand. Even with Manatuto in operation, a substantial supply gap will remain in the future.

This creates an opportunity for additional grid-scale generation, most likely solar paired with battery storage and supplied to ECTL under a power purchase agreement. Independent power producers can help meet rising demand, displace costly diesel generation and improve the reliability of supply.

5.2 EXPANSION AND DIVERSIFICATION OF THE SMALL-SCALE SOLAR SECTOR

Rooftop solar for commercial and industrial users, where high grid tariffs and short payback periods make self-generation attractive.

Solar-powered products for agriculture and climate resilience, such as solar irrigation, cold storage, and rainfall and climate monitoring.

Small and medium decentralised systems, including mini-grids, for communities and islands not reached by the national grid.

5.3 OTHER RENEWABLES

Wind generation, building on the IFC feasibility work that has identified Lariguto in Viqueque as the priority site for a 50 MW farm, with offshore and floating options at an earlier stage of study.

Mini-hydro at suitable run-of-river sites, which government plans continue to flag, noting that large-scale hydro such as the Iralalero scheme has not proceeded for environmental and technical reasons.

Investment Opportunities Continued

5.4 RECYCLING AND PRODUCING RECYCLED PRODUCTS

Collection and aggregation of recyclables, where facilities are currently minimal, and expansion of processing into recycled products beyond the existing plastic-to-building-materials activity.

5.5 BIOFUELS

Existing projects are small but show promise. New opportunities exist at community, household and facility or factory level, for example using waste streams from meat and food processing.



06 Key Players and Stakeholders

The sector brings together government bodies that set policy and run the grid, a small but active private sector, and development partners that finance and de-risk early projects. For investors, the most important relationships are with EDTL as the utility and offtaker, and with TradeInvest Timor-Leste as the entry point for investment facilitation. The main players are summarised below.

GOVERNMENT

Ministry of Public Works – the line ministry with overall responsibility for the energy sector and electricity policy, and the parent body of EDTL.

EDTL – Eletricidade de Timor-Leste, the state-owned utility that generates, transmits and distributes electricity. It is the principal counterparty and offtaker for new generation.

Director General for Environment – the government focal point for accessing international climate finance, including the Green Climate Fund, relevant to concessional funding for renewable projects.

DEVELOPMENT PARTNERS AND NONGOVERNMENT ORGANISATIONS

Asian Development Bank – has overseen analysis of the electricity sector, and led the case for the use of solar as a viable alternative

World Bank / IFC – supporting government with implementing the large scale solar farm

Australian Department of Foreign Affairs and Trade (DFAT) – supporting the Atauro solar facility, in partnership with EDTL

UNDP – has led initiatives around climate change adaptation and natural disaster responses

07 Risks and Considerations

Timor-Leste's renewables sector is at an early stage, and investors should approach it with a realistic view of the operating environment. The main risks fall into the areas below.

REGULATORY AND POLICY

There is limited regulatory guidance for new investors in the energy sector. EDTL has advised that several elements of the enabling framework are under development, including a renewable energy policy and a transmission grid code. Once finalised these should give private investors greater certainty on grid access and offtake. Until they are in place, the regulatory path for new projects remains partly undefined, requiring direct engagement with EDTL and the regulator.

COMMERCIAL AND OFFTAKE

Larger scale projects typically depend on a power purchase agreement with the government as the single offtaker, so their viability rests on the terms and bankability of that agreement. Grid capacity and the cost of connection can also be constraints, and public-private partnership structures, while available, have little precedent in Timor-Leste to date. Investors in larger projects should plan for extended lead times and early engagement with EDTL and TradeInvest Timor-Leste.

The principal offtaker is a state utility that is heavily subsidised, with the 2024 EDTL subsidy at around US\$157 million. The strength of any payment obligation is therefore tied to the government's fiscal position.

MARKET, INFRASTRUCTURE AND DELIVERY

Beyond the regulatory framework, investors face the delivery risks typical of a frontier market. The domestic market is small and demand outside Dili is thin, so project scale and offtake need careful assessment. Local supply chains are limited and most equipment must be imported, skilled technical labour is limited, and infrastructure outside the capital is still developing. These factors lengthen delivery timelines and raise costs, and are best managed through conservative scheduling, local partnerships, and staged investment.

Risks and Considerations Continued

Land access for project sites. Ground-mounted solar and wind require secured sites, often through partnership with a local landholder or community. Foreign investors cannot own land, but state land leases of up to 50 years (renewable to 100 years) and surface rights are available (see Section 8).

Environmental and permitting. Environmental and social factors can constrain or stop projects, as the Iralalaro hydro scheme shows, where conservation value and protected-area status have prevented development. Early environmental due diligence and community engagement are essential, particularly near protected areas.



08 Investment Framework

ENTITY STRUCTURES

Several structures are available for investments. The choice has implications for land access, tax incentive eligibility, access to domestic finance, and the speed at which operations can begin.

100% foreign-owned investment. The Private Investment Law permits fully foreign-owned limited liability companies (Sociedade por Quotas), with full operational control and eligibility for investment incentives. These are generally more suited to medium and large businesses.

Joint venture with local partners. Joint ventures can reduce the time and cost of building these connections. This involves a trade-off between operational control and local knowledge.

Public-private partnerships. PPPs may apply where the scale or public-good nature of an investment warrants government co-investment. To date, these are rare in Timor-Leste, but are potentially relevant to a larger scale renewables project.

Investment Incentives

To access official incentives, investors must secure either a Declaration of Benefit (DoB) or Special Investment Agreement (SIA) through TradeInvest Timor-Leste.

INVESTOR TYPE	MINIMUM INVESTMENT
National investor	US\$50,000
Foreign investor	US\$500,000
Joint venture (foreign + national, nationals hold $\geq 75\%$)	US\$250,000

Tax incentives: Up to 100% exemption from corporate income tax and from sales and services taxes on goods/services used in construction and operations. Duration: 5 years in Dili, 8–10 years elsewhere.

Customs incentives: 100% exemption from import duties on capital goods and equipment.

Land access: Foreign investors cannot own land, but leasing is strongly supported and surface rights ownership is permitted. State land leases available for up to 50 years, renewable to 100 years.

Immigration and staffing: At least five business visas for skilled foreign managers or technical staff, with streamlined processing.

Administrative facilitation: TradeInvest Timor-Leste supports business registration, licensing, visa facilitation and government liaison.

09 Next Steps

Investors interested in exploring opportunities in Timor-Leste's renewables sector are encouraged to make contact through TradeInvest Timor-Leste. TradeInvest Timor-Leste is the government's investment promotion and facilitation agency and serves as the primary entry point for foreign investors.

PRIMARY CONTACT

TradeInvest Timor-Leste

Investment promotion and facilitation agency. Entry point for foreign investors, including business registration, licensing, visa facilitation and government liaison.

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